Testimony to the Appropriations Committee

Presented by Lisa Connolly, Vice President of Community Living for Hartford HealthCare and Chair of LeadingAge Connecticut

February 23, 2022

Regarding the Department of Social Services Budget

House Bill 5037, An Act Adjusting the State Budget for The Biennium Ending June 30, 2023

Senator Osten, Representative Walker, and members of the Appropriations Committee, thank you for this opportunity to testify on the Governor's proposed budget adjustments. My name is Lisa Connolly and I am the Vice President of Community Living for Hartford HealthCare and the Chair of LeadingAge Connecticut, a statewide membership association representing not-for-profit provider organizations serving older adults across the continuum of aging services. LeadingAge Connecticut members provide care, services and housing for approximately 12,000 older adults each day, are governed by community boards, and employ over 15,000 staff persons.

I am here today to voice our strong support for the Governor's proposed investment in quality nursing home and community-based care as reflected in the bill before you today, and to encourage continued investment in these long-term services and supports.

The Impact of the Covid-19 Pandemic

Over the past two years, the aging services field has been at the center of the global Covid-19 pandemic. I am proud to say that our members have endured and managed through this pandemic, working hard to establish the policies, procedures and skills necessary to keep our residents and clients safe, secure and comfortable. We have become very good at implementing the infection control strategies that are effective against this virus.

Nursing Home Funding

Throughout this pandemic we have valued our collaborative partnership with the state. This collaboration has included vital financial support for the nursing home sector. The impact of the pandemic has exacerbated the existing financial distress of our nursing homes and has exposed long-standing problems with the Medicaid reimbursement system. Last session we came to you and explained how we were struggling and you responded with permanent rate increases of 4.5% to support wage increases in each of the two years of this budget, as well as temporary rate relief that the Governor is now proposing be extended three additional months. These increases are deeply appreciated and desperately needed as we face rising costs for food, services and supplies, while the workforce crisis continues to drive up salaries and wages.

Correcting the Existing Deficiency of the Nursing Home Medicaid Rate System
We also spoke to you last year about the deficiencies and inequities that exist in the current nursing home rate system, caused by years of disregarding the statutory rate formula. The inequities have disadvantaged many high-quality nursing homes, including the non-profit nursing homes we represent. You responded to our concerns and placed $10 million in the biennial budget for nursing home facility support to be used for one-time grants to homes that had significant gaps between their calculated rates and their paid rates – and we thank you for that.

Subsequently, in developing the new acuity-based rate formula, the administration determined that this inequity in the existing rates should be permanently addressed in the new rate system. As a result, they are proposing to invest additional funding so that the rates can be rebased using the 2019 cost report year. This true rebasing will recognize allowable costs and increase the rates of nursing homes that have continually invested in their physical plant, services and workforce. The rebasing of the rates will require an additional investment of state and federal dollars over the three-year phase in of the new acuity-based rate system. The Governor has included $12.8 million in the DSS budget to support the first year of the rebasing, which we strongly support and ask that you do as well.
(*State funding needed: $12.8 million in SFY 2023, 16.8 million in SFY 2024, $15.4 million in SFY 2025.)*

In the meantime, the $10 million that was included in the budget for nursing home facility support is proposed to be used to fund a 10% temporary rate increase for the month of June – something that is urgently needed and greatly appreciated.

The nursing home sector is also moving forward in the planning of a balanced system of providing long term services and supports. The nursing homes that are either at a census of less than 85%, or located in a region where there are an excess number of nursing home beds, or who find that the new acuity-based rate system will not provide them with the financial stability they need to provide quality resident care, must submit a plan to the Department of Social Services by April 1 of this year addressing these issues. This exercise has the potential to be a milestone in our understanding of the true capacity and future needs of this sector.

The importance of this planning and its impact on the rest of the health care field was made evident during the pandemic. We witnessed how each facet of the health care delivery system must remain strong in order to effectively and efficiently provide care to the citizens of this state. Nursing homes have proven to be a critical pillar in that system and stabilizing this sector will benefit the entire health care field.

Home and Community Based Services
LeadingAge Connecticut members provide the full continuum of long-term services and supports, including a wide range of home and community-based services and many older adults we serve rely upon the Connecticut Home Care Program for Elders (CHCPE). It is this program that helps eligible clients over the age of 65 who are in need of long-term services and supports. It is also the program that assists many older adults who return to home through the Money Follows the Person Program. That is why it is vital that we continue to invest in this program and in the provider network that delivers the services and supports within it.

The state's ARPA HCBS Reinvestment Plan is designed to make the needed investment into the home and community-based network of services, including those provided through the Connecticut Home

Care Program for Elders and we strongly support it. The plan combines state funding with the funds associated with the reinvestment of the supplemental 10% federal match that was enacted under section 9817 of the American Rescue Plan Act (ARPA) so as to increase the viability and sustainability of home and community-based long-term services and supports in Connecticut. We know that this investment will strengthen the community-based provider network, enable a successful rebalancing of the long-term services and supports system, and ultimately save the state money.

The specific rate increases and funding initiatives can be found in the linked notice regarding the Home and Community-Based Services (HCBS) Reinvestment Plan. This investment in the HCBS network comes at a critical time as many providers are finding it very difficult to serve clients enrolled in this Medicaid waiver program. The current rate structure for these services is not sufficient to meet the costs of providing the services and so many providers must restrict the number of waiver clients they serve.

In addition to the ARPA HCBS Reinvestment Plan, the Department of Social Services is currently undertaking a study of the rate methodology used to establish the existing fee schedule for the home and community-based services provided through the Connecticut Home Care Program for Elders. This study is being conducted at the request of the Centers for Medicare and Medicaid Services (CMS). We urge the state to utilize the results of this study to update the current fee schedule by raising the rates to levels that will meet the cost of providing the services.

We then propose that the state initiate an annual cost of living rate increase for these home and community-based services. This worthy investment will work to build a strong network of home and community-based providers that is needed to achieve a successfully rebalanced system of long-term services and supports.

Community based providers are meeting the growing needs of Connecticut's older adults and their caregivers. The rebalancing process is working and we are encouraged that the state and federal government are making significant investments to continue this progress.

Affordable Assisted Living

We want to raise a grave concern we have regarding the sustainability of one important service model in the Connecticut Home Care Program for Elders (CTHCPE), and that is the model of providing assisted living services within the affordable housing setting. The specific setting of concern is the group of seven Department of Housing and Urban Development (HUD) assisted elderly housing sites that received grant funding through the HUD Assisted Living Conversion Program (ALCP). These grants financed the physical conversion of a small number of existing apartment units into assisted living units at each of the seven sites. These sites then individually contracted with licensed Assisted Living Service Agencies (ALSA) to come into the housing site and provide the assisted living services to the residents of these converted units. The majority of these assisted living services are funded through the CTHCPE.

Unfortunately, the HUD assisted sites are now finding it very difficult to find an ALSA that is willing to provide the services at the current rates offered through the CTHCPE. Even with the rate increases anticipated in the ARPA HCBS Reinvestment Plan, the housing sites are unable to recruit ALSAs to provide the assisted living services. While limited home care services can be provided to these residents, the assisted living services cannot be unless an ALSA is willing to provide them – and this will make it very difficult for many residents to remain in their apartments. As a result, we have been working with the various state agencies and interested parties to find a solution to this problem so that we do not lose this valuable model of affordable housing with assisted living services, but it is clear that additional funding must be directed toward this model. We will keep this committee updated on any progress we make.

Thank you for the opportunity to testify and I would be happy to answer any questions.

Respectfully submitted,

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Background Information: Supplemental Testimony to the Appropriations Committee

Regarding the Department of Social Services Budget
House Bill 5037, An Act Adjusting the State Budget for The Biennium Ending June 30, 2023

February 23, 2022

Increasing the Rates of Reimbursement Long-Term Services, Supports and Health Care

Quality aging services – whether they are provided in the community or in the nursing home – cannot be sustained without rates of reimbursement that cover the cost of care. Medicaid providers have been struggling to serve the older adult Medicaid client under the current reimbursement system and many providers are finding it increasingly difficult to stay in the program altogether. To maintain a strong network of providers, the rates of reimbursement must be increased to sufficient levels. If not, we risk losing ground on the strides that have been made in transforming our Medicaid program and rebalancing our system of aging services and supports. The current initiatives in both nursing home and community-based services funding are encouraging. We ask that the State stay committed to that transformational effort as our work intensifies and as those we serve become frailer, older, and in need of more care, not less.

Financial Impact of the Workforce Crisis

The workforce demand within aging services has now reached a crisis level. The existing financial impact of the minimum wage phase in to $15 has now been combined with the intensifying financial pressures associated with the limited number of job seekers in the health care field. The lack of available workforce is straining financial resources and causing providers to limit their admissions. The temporary staffing agencies are taking full advantage of the situation and many are engaging in what we might consider to be price gouging practices. This drain on resources and the limits on revenue are converging at a crisis level.

We anticipate continued and significant increases in our labor costs. As other employment sectors increase their wage scale and individuals leave the workforce, the ability to recruit and retain employees within the aging services sector has become more difficult, causing more pressure on our wage scales and the demand for employees. **We therefore request that aging services, and health care in general, be prioritized in the state's workforce initiatives and that continued financial support be provided as necessary.**

Nursing Home Rate History and the Transition to an Acuity-based, Case-Mix System

Connecticut's Medicaid program is pursuing a strategic rebalancing plan for long term services and supports and nursing homes are at the center of that plan. The state's rebalancing plan calls for nursing homes to realign their structures, redesign their environments and reduce their bed capacity while intensifying their work as those they care for become frailer, older, and in need of more care. But the state must recognize that while they anticipate the need for fewer nursing homes, they must invest in the nursing homes that will still be desperately needed by those who cannot be cared for at home.

The Covid-19 pandemic has only exacerbated the long-standing problems of our Medicaid reimbursement system for nursing homes. Medicaid is the single most important public source of funding for nursing home care, but the current Medicaid rates do not meet the cost of providing this care. In fact, the average daily Medicaid rate that is paid to a non-profit nursing home is *significantly lower* than the cost of providing that care. Fortunately, the Governor's budget adjustments seek to correct this longstanding inequity.

Connecticut's current Medicaid rate structure is outlined in statute and is based on a calculation of the state defined allowable costs of providing daily nursing home care – but the actual per diem rates paid are much lower than the calculated rates due to years of legislated rate freezes. In fact, recent rate analysis data available from DSS shows that the paid per diem rates in total fall an estimated $135 million short of the actual calculated rates (using the 2018 cost reports). Individually, LeadingAge Connecticut nursing home members are experiencing large gaps between what the current rate system calculates and what the Medicaid rate system actually pays. (*Link to overview of Medicaid rate setting for nursing homes)*

Historically, the state counted on other payor sources to make up the difference in the cost of providing care for Medicaid covered residents and the Medicaid rate. But the amount received by other payor sources is shrinking. Prior to the pandemic, 74% of residents living in nursing homes counted on Medicaid to pay for their care, but now it is much higher as the overall census has dropped and the number of private pay residents and post-acute care Medicare funded residents has dropped precipitously. The census recovery has also been thwarted by the waves of the Delta and Omicron variants, and for non-profit nursing homes, this is resulting in financial shortfalls that cannot be met by fundraising and reserves.

Nursing homes have not had a *general* nursing home rate increase since 2012. That increase was the direct result of an increase to their nursing home provider tax (which is now $21.02 a day), and the following year nursing homes received a rate cut. The subsequent rate increases that were given in 2015, 2016, 2018, 2019 and now 2021 were specifically directed to wage enhancement pass through and while 70% of nursing home costs are related to human resources, there are other cost centers such as heat, utilities, food and medical supplies. All the costs related to resident care increase year after year and beyond the control of the nursing home providers, but only those related to direct labor costs have been recognized by the most recent rate increases.

Last year we asked the state to address the *overall* financial needs of our state's nursing homes by fully funding the current system and adding additional funding to meet any new staffing mandates. We felt that if the overall system's underfunding was not addressed before the transition to a new acuity-based, case-mix reimbursement system was implemented, the new system would not be able to operate as intended. The legislature responded by placing additional funding in to both years of the budget to address wage increases and new staffing mandates. A temporary rate increase was provided and $10 million was also added for one-time grants to homes that had significant gaps between their calculated rates and their paid rates. This investment in the nursing home sector has been greatly appreciated and desperately needed as nursing homes face rising costs for food, services and supplies, while the workforce crisis continues to drive up salaries and wages.

The Department of Social Services (DSS) has now designed the case-mix nursing home reimbursement system to replace our current cost-based system. The new case-mix system will add an acuity-based component and one or more value-based performance incentives to the payment rates. The new system now will be phased-in over a three-year period beginning on July 1, 2022 and is commonly referred to as the "acuity-based" rate system.

The administration has designed the new system so that it is built upon a truly rebased rate which incorporates the costs that nursing home providers have invested into the physical plant, services and workforce over the many several years. This rebasing addresses the concerns raised by quality providers who experience a significant gap between their calculated rate, based on their reported costs of providing care, and their paid rate. **We strongly support this proposed investment of funding and ask the Legislature for their support.** (*State funding needed: $12.8 million in SFY 2023, 16.8 million in SFY 2024, $15.4 million in SFY 2025.)*

We also would propose that in future budget cycles, additional funding be appropriated to fund the performance incentive payments, which are a hallmark feature of the proposed case mix system, be funded with additional appropriations.

Medicaid Nursing Facility Rate History

Rate Period	*Increase/Decrease*	*Cost Report Year*
1/1/05-6/30/05	1.0%	2000
7/1/05-6/30/06	14.0% (4.0% net - Rebase with Tax)	2003
7/1/06-6/30/07	3.0%	2003
7/1/07-6/30/08	2.9%	2003
7/1/08-6/30/09	0%	2003
7/1/09-6/30/10	0%	2007
7/1/10-6/30/11	0%	2007
7/1/11-6/30/12	3.7% (1.25% net w/Tax Increase)	2007
7/1/12-6/30/13	0.33% (.17% net w/Tax Increase)	2007
7/1/13-6/30/14	-0.273 (Decrease)	2011
7/1/14-6/30/15	0%	2011
7/1/15-6/30/16	$26 + 9 million wage/benefit enhancement	2011
7/1/16-6/30/17	0%	2011
1/1/17-6/30/17	6-month loss of fair rent component for some homes due to policy change	
7/1/17-6/30/18	0% (Rebasing of rates with 1.6% stop loss)	2016
11/1/18-6/30/19	2% (Directed toward wage & benefits)	2016
7/1/19-6/30/20	2% (Directed toward wage & benefits)	2018
10/1/20	1% (Directed toward wage & benefits)	2018
1/1/21	1% (Directed toward wage & benefits)	2018
7/1/21	4.5% (Directed toward wage & benefits)	2018
	Additional funding for new staffing ratios, pension and benefit increases	
7/1/21 – 6/30/22	10% Temporary Rate Increase	2018
7/1/22	4.5% (Directed toward wage & benefits)	2019
7/1/22	Year 1 of 3-year phase-in of acuity system	2019

Nursing Home Provider Tax

It is important to keep in mind that nursing homes are required to pay a nursing home bed tax at a rate of $21.02 per bed per day. The proceeds of this tax go toward funding of the entire Medicaid system of long-term services and supports, not just nursing home care, and must be paid even if the resident's Medicaid application is pending and there is no payer source for the bed. This is one more cost burden placed on nursing home providers.

Residential Care Homes

The residential care home setting is both supportive and affordable and is a setting of choice for many older adults. It can be a valuable community-based housing choice for those choosing to receive Medicaid funded home and community-based services and supports and therefore we are currently working with the state agencies to ensure that residential care homes can choose to qualify as a community-based setting for the purpose of Medicaid funding.

We have a confidence in this model of community-based living and the crucial role it holds in the continuum of aging services. We are hopeful that investments can be made to encourage its growth and help existing providers maintain and improve their physical plant as well as keep up with the costs of providing room, board and services.

Home and Community Based Services

The Connecticut Home Care Program for Elders (CHCPE) is the heart and soul of our state's rebalancing plan when it comes to providing home and community-based aging services. It is this program that helps eligible clients over the age of 65, who are in need of long-term services and supports, remain at home. It is also the program that assists many older adults who return to home through the Money Follows the Person Program. That is why it is vital that we continue to invest in this program and in the provider network that delivers the services and supports within it.

The state's ARPA HCBS Reinvestment Plan is designed to make needed investments into the home and community-based network of services, including those provided through the Connecticut Home Care Program for Elders. The plan combines state funding with the funds associated with the reinvestment of the supplemental 10% federal match that was enacted under section 9817 of the American Rescue Plan Act (ARPA) so as to increase the viability and sustainability of home and community-based long-term services and supports in Connecticut. We know that this investment will strengthen the community-based provider network, enable a successful rebalancing of the long-term services and supports system, and ultimately save the state money.

The specific rate increases and funding initiatives can be found in the linked notice regarding the Home and Community-Based Services (HCBS) Reinvestment Plan. This investment in the HCBS network comes at a critical time as many providers are finding it very difficult to serve clients enrolled in this Medicaid waiver program. The current rate structure for these services is not sufficient to meet the costs of providing the services and so many providers must restrict the number of waiver clients they serve. On September 1, 2020, most of the providers in the Connecticut Home Care Program for Elders received a 2.3% rate increase in response to the increase in the state's minimum wage. On January 1, 2019, the providers in the Connecticut Home Care Program for Elders received a 2% rate increase that was to be directed toward employee wages. On October 1, 2019 they received a 1% increase, again directed toward wages and benefits. Prior to this, the last increase was 1% in 2015.

In addition to the ARPA HCBS Reinvestment Plan, the Department of Social Services is currently undertaking a study of the rate methodology used to establish the existing fee schedule for the home and community-based services provided through the Connecticut Home Care Program for Elders. This study is being conducted at the request of the Centers for Medicare and Medicaid Services (CMS). We urge the state to utilize the results of this study to update the current fee schedule by raising the rates to levels that will meet the cost of providing the services. We then propose that the state initiate an annual cost of living rate increase for these home and community-based services. This worthy investment will work to build a strong network of home and community-based providers that is needed to achieve a successfully rebalanced system of long-term services and supports.

Community based providers are meeting the growing needs of Connecticut's older adults and their caregivers while preventing or delaying placements in skilled nursing facilities and helping to prevent the need for more expensive health care settings such as emergency rooms and acute care hospitals.

The rebalancing process is working. More of our elderly are being cared for in the community. We must not stop now. This systems change is not only the right thing to do, but it is slowing the growth in Medicaid expenditures for long term services and supports and we are encouraged that the state and federal government are investing to continue this progress.

Affordable Assisted Living

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Unfortunately, the HUD assisted sites are now finding it very difficult to find an ALSA that is willing to provide the services at the current rates offered through the CTHCPE. Even with the rate increases anticipated in the ARPA HCBS Reinvestment Plan, the housing sites are unable to recruit ALSAs to provide the assisted living services. While limited home care services can be provided to these residents, the assisted living services cannot be unless an ALSA is willing to provide them – and this will make it very difficult for many residents to remain in their apartments. As a result, we have been working with the various state agencies and interested parties to find a solution to this problem so that we do not lose this valuable model of affordable housing with assisted living services, but it is clear that additional funding must be directed toward this model. We will keep this committee updated on any progress we make.

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